

AR08

**ANNUAL
REPORT**

1974

**NOTICE OF MEETING
INFORMATION CIRCULAR**



FOR THE YEAR ENDED DECEMBER 31, 1974



DIRECTORS

M. P. CONNELL - - - - - - - - - Toronto, Ontario
C. R. ELLIOTT - - - - - - - - - Bowmanville, Ontario
I. F. T. KENNEDY - - - - - - - - - Toronto, Ontario
J. C. LAMACRAFT - - - - - - - - - Toronto, Ontario
A. C. MOSHER - - - - - - - - - Toronto, Ontario

OFFICERS

M. P. CONNELL - - - - - - - - President
I. F. T. KENNEDY - - - - - - - Vice-President
J. C. LAMACRAFT - - - - - - Secretary-Treasurer
W. STEUERMAN - - - - Assistant Secretary-Treasurer

HEAD OFFICE

SUITE 1010, 85 RICHMOND STREET WEST
Toronto, Ontario

**TRANSFER AGENT
AND REGISTRAR**

NATIONAL TRUST COMPANY, LIMITED
Toronto, Ontario

AUDITORS

THORNE RIDDELL & Co.
Toronto, Ontario

BANKERS

THE ROYAL BANK OF CANADA
Toronto, Ontario

SOLICITORS

LANG, MICHENER, CRANSTON, FARQUHARSON & WRIGHT
Toronto, Ontario

ANNUAL MEETING

June 27, 1975, 10:00 A.M.
Suite 1010, 85 Richmond Street West
Toronto, Ontario

Chimo Gold Mines Limited

Suite 1010
85 Richmond Street West
Toronto, Ontario
M5H 2G1

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the Shareholders:

Notice is hereby given that the Annual Meeting of the Shareholders of Chimo Gold Mines Limited will be held at Suite 1010, 85 Richmond Street West, Toronto, Ontario, on Friday, June 27, 1975, at the hour of 10:00 o'clock in the forenoon, for the following purposes:—

1. To receive the annual report of the directors.
2. To receive the financial statements of the Corporation for the year ended December 31, 1974, together with the auditors' report thereon.
3. To elect directors.
4. To appoint auditors and to authorize the directors to fix their remuneration.
5. To transact such other business as may properly come before the meeting.

By order of the Board of Directors,

J. C. LAMACRAFT,
Secretary-Treasurer.

Dated May 29, 1975.
Toronto, Ontario.

See Pages 9, 10 and 11 for Information Circular

Chimo Gold Mines Limited

Report of the Directors

To the Shareholders,
Chimo Gold Mines Limited.

Your Directors submit herewith for your consideration the audited financial statements of the Corporation for the year ended December 31, 1974.

Income received from the Iron Bay Trust in 1974 amounted to \$334,600 and was derived from a royalty on production of iron ore pellets from The Steel Company of Canada's Griffith Mine, located near Red Lake in the Province of Ontario. The lease agreement between the Iron Bay Trust and Stelco provides for escalation of the royalty rate proportionately with increases in the price of iron ore pellets. During 1974 the royalty rate was increased from 47.6 cents to 64.5 cents per ton, and in early 1975 the royalty rate was further increased to 70.7 cents per ton. As the Corporation owns 1,000,000 units of the Trust, the royalties provide a firm base for the Corporation's exploration programmes.

The Corporation retains an option on 53 claims in the Sturgeon Lake area, Province of Ontario, having relinquished 113 claims during the year. No further work has been carried out on the claims since that described in the 1973 Annual Report and no further work is contemplated at this time.

GENERAL EXPLORATION

During the year, your Corporation, with Conwest and its associates, participated in exploration expenditures as follows:

CONWEST GROUP

Chimo Gold Mines Limited	\$ 268,000
Conwest Exploration Company Limited	1,035,000
Central Patricia Gold Mines, Limited	44,000
Calmor Iron Bay Mines Limited	163,000
	\$1,510,000

Expenditures by others on projects in which the Conwest Group participated	1,220,000
Total exploration exposure	<u>\$2,730,000</u>

Pursuant to an agreement which came into effect January 1, 1972, Chimo, Conwest Explora-

tion Company Limited, Central Patricia Gold Mines, Limited, and Calmor Iron Bay Mines Limited participated jointly in mineral exploration projects initiated in 1972 in the following proportions:

Chimo	20%
Conwest	53½%
Central Patricia	13½%
Calmor	13½%

Subsequently, Central Patricia withdrew from direct participation in subsequent exploration projects, and accordingly exploration projects initiated on or after January 1, 1973 are carried out in the following proportions:

Chimo	20%
Conwest	66½%
Calmor	13½%

The year 1974 saw a concerted effort being made to engage to a greater extent in joint venture activities, with the objective of spreading the costs and risks of primary exploration while maintaining the maximum level of exposure consistent with the Conwest Group's financial resources.

Mr. C. K. O'Connor, recently appointed a Director and Vice-President of Conwest, manages the exploration and development activities of the Group.

Some of the more significant activities of the Conwest Group are referred to below. In addition, numerous other property examinations and technical evaluations were carried out in various parts of Canada.

YUKON TERRITORY

A substantial programme of geological mapping, prospecting and geochemical sampling was carried out on a large group of optioned claims adjacent to those of Barrier Reef Resources Limited in the Bonnet Plume area. This programme was undertaken in joint venture with Getty Mining Pacific Limited. Results were not sufficiently encouraging to warrant renewing the option which terminated at year end.

Prompted by the success of AEX Minerals Corp. in locating a significant new lead-zinc deposit at Vangorda Creek, and based on research of old Conwest records, the Group acquired by staking a block of 1,070 claims located approximately 70 miles northwest of Vangorda Creek covering an area believed to be geologically

favourable for the occurrence of similar mineralization. Subsequently, the Conwest Group entered into a joint venture with U.S. Steel Western Hemisphere Inc. for the further exploration of these claims, which will involve substantial expenditures over a period of two to three years. A programme of gridding and ground geophysical surveys to cover the entire claim group commenced early in 1975. The Conwest Group has the right to maintain a 51% interest in this project.

NORTHWEST TERRITORIES

The Conwest Group, in joint venture participation with Brascan Resources Limited of Calgary, subject to a 10% carried interest of Dr. Stuart Roscoe, commenced an evaluation of claims located south of Bathurst Inlet covering interesting base metal gossans located by Dr. Stuart Roscoe in the 1973 reconnaissance programme. The 1974 programme, also under the direction of Dr. Roscoe, consisted of geological mapping, limited geophysical and geochemical surveys, and diamond drilling of one anomalous zone. Initial results were encouraging and much additional exploration is warranted over the large claim holdings. Brascan will be conducting the 1975 exploration programme which will include diamond drilling.

ONTARIO

During the spring of 1974, the Conwest Group undertook airborne geophysical surveys of two small areas in Ontario believed favourable for base metal mineralization. Follow-up work during 1974 eliminated one area. Diamond drilling in early 1975 of five selected anomalies in the second area was not successful; however, further work is planned as the geological environment is considered favourable.

In recognition of the increased price of gold, the Conwest Group continued to examine many gold prospects during 1974. The most interesting of these, acquired under option in June 1974, comprised the North Arm tailings at Kirkland Lake. Approximately 4,000,000 tons containing slightly in excess of .04 oz. of gold per ton of tailings is located on the optioned leases. Sampling and metallurgical research commenced immediately. Although encouraging metallurgical recoveries have been obtained, it now appears that capital and operating costs put profitable operation out of reach at the current price of gold.

QUEBEC

During 1974, the Conwest Group acquired by purchase, option, and staking over 200 claims in numerous groups in the vicinity of the new copper-zinc discovery of Patino Mines (Quebec)

Limited in Lemoine Township near Chibougamau.

This project, subsequently joint ventured with Muscocho Explorations Limited as equal partners, comprised substantial geophysical surveys and follow-up diamond drilling in 1974. Although work to date has not disclosed any ore, it has determined that the favourable strata cross several of the claim groups, and more detailed geological mapping and surveys are planned.

One other base metal prospect acquired late in 1974, also in the Chibougamau area, was subjected to geophysical surveys and three diamond drill holes during this past winter. Results were negative.

CORPORATE POLICY

The policy of your Corporation is directed towards establishing a meaningful financial return to the shareholders. Your Directors believe that participating in the discovery of a new mine is a most attractive means of achieving that goal. Your Directors also believe that due to the unpredictable nature of discoveries the Corporation must maintain the growth of its asset base by other means. The financial return derived from the Corporation's resource-oriented investment portfolio is one method of fulfilling this goal. The Corporation has also embarked on a modest programme of diversification over the past six months into areas outside the mining industry. It is your Corporation's intention to concentrate these investments in the hospitality industry, with particular emphasis being given to acquiring secure asset situations that will generate a high income return. Late in 1974 a 75% interest was acquired by the Conwest Group in a small hotel in Oakville. At the present time, an investment is being made in the Jarvis House, a well-established operation in downtown Toronto. A highly specialized and experienced staff, under the direction of Mr. T. G. Kristenbrun, C.A., is managing these investments. Mr. Kristenbrun has over six years' successful operating experience in the industry.

GENERAL

Your Corporation is committed to the policy of maintaining an active programme of mineral exploration in Canada in particular, and elsewhere as opportunities may develop, through its participation in the Conwest Group.

On Behalf of the Board,

Toronto, Ontario,
May 29, 1975.

M.P. CONNELL,
President.

Chimo Gold

(Incorporated under)

Balance Sheet as at

(with comparative figures)

ASSETS

Current Assets

	1974	1973
Cash and short-term deposits	\$ 204,508	\$ 102,066
Royalty receivable	90,000	76,400
Accounts receivable	10,107	5,586
	<u>304,615</u>	<u>184,052</u>
Mortgage from a Director, receivable in annual instalments of \$2,500, non-current portion	48,750	—

Investment in mining companies and properties (Notes 1 to 3)

Shares with a quoted market value (1974 – \$830,830; 1973 – \$919,750)	905,791	320,737
Units of The Iron Bay Trust at cost less accumulated amortization of \$69,009 (1973 – \$56,837), quoted market value (1974 – \$4,200,000; 1973 – \$3,800,000)	285,883	298,055
Other shares, at cost less amounts written off (1973, at cost)	6,002	259,740
Mining properties together with expenditures thereon, at cost	594,600	548,848
Machinery and equipment, at estimated realizable value	37,912	37,912
	<u>1,830,188</u>	<u>1,465,292</u>
	<u>\$2,183,553</u>	<u>\$1,649,344</u>

AUDITORS

To The Shareholders
Chimo Gold Mines Limited

We have examined the balance sheet of Chimo Gold Mines Limited as at December 31, 1974 and the statements of income and deficit and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada
May 7, 1975

Mines Limited

the laws of Ontario)

December 31, 1974

(at December 31, 1973)

LIABILITIES

Current Liabilities	1974	1973
Accounts payable and accrued liabilities	\$ 93,652	\$ 49,120

SHAREHOLDERS' EQUITY

Capital stock

Authorized 5,000,000 shares, par value \$1 each		
Issued 3,371,086 shares	3,371,086	3,371,086
Less — discount	1,212,167	1,212,167
	2,158,919	2,158,919
Less — cost of shares held by Calmor Iron Bay Mines Limited (Note 2)	—	170,136
	2,158,919	1,988,783
Deficit	69,018	388,559
	2,089,901	1,600,224

\$2,183,553 \$1,649,344

On behalf of the Board:

M. P. CONNELL, Director.
C. R. ELLIOTT, Director.

REPORT

In our opinion these financial statements present fairly the financial position of the corporation as at December 31, 1974 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

RIDDELL, STEAD & CO.
Chartered Accountants

Chimo Gold Mines Limited

STATEMENT OF INCOME AND DEFICIT

For the Year Ended December 31, 1974
 (with comparative figures for the year 1973)

	1974	1973
Income from investments		
Royalties	\$334,600	\$281,700
Dividends and interest	62,508	5,776
Gain on sale of investments	85,212	123,280
	482,320	410,756
Expense		
General exploration and administrative together with the cost of current and prior years' direct exploration and development expenditures on mining claims and properties which were abandoned during the year (Note 1)	209,012	299,583
Corporate	13,275	8,804
Depreciation	—	1,909
Amortization of investment in The Iron Bay Trust (Note 1)	12,172	12,352
	234,459	322,648
Income before undernoted items	247,861	88,108
Share of earnings (loss) of Calmor Iron Bay Mines Limited (Note 2) ...	14,450	(6,241)
Income before extraordinary items	262,311	81,867
Extraordinary items		
Gain on sale of shares of Calmor Iron Bay Mines Limited (Note 2)	316,968	—
Write-down of other shares to nominal value	(259,738)	—
	57,230	—
Net income for the year (Note 4)	319,541	81,867
Deficit at beginning of year	388,559	470,426
Deficit at end of year	\$ 69,018	\$388,559
Earnings per share		
Before extraordinary item	\$.078	\$.026
After extraordinary item	\$.095	\$.026

Chimo Gold Mines Limited

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31, 1974
 (with comparative figures for the year 1973)

Source of funds	1974	1973
Investment income	\$ 482,320	\$410,756
Gain on sale of shares of Calmor Iron Bay Mines Limited including share of earnings	<u>331,418</u>	—
	<u>813,738</u>	410,756
Application of funds		
Expenditure upon exploration and development of mining claims including general exploration and administrative costs	<u>268,039</u>	350,674
Excess of investment income over net funds applied to mining exploration and development	<u>545,699</u>	60,082
Portfolio investment transactions		
Cost of investments purchased	<u>1,318,009</u>	435,366
Cost of investments sold	<u>897,091</u>	346,422
Investment funds transferred from working capital	<u>(420,918)</u>	(88,944)
Mortgage from a director — non-current portion	<u>48,750</u>	—
Net increase (decrease) in working capital	<u>76,031</u>	(28,862)
Working capital at beginning of year	<u>134,932</u>	163,794
Working capital at end of year	<u>\$ 210,963</u>	\$134,932

Chimo Gold Mines Limited

NOTES TO 1974 FINANCIAL STATEMENTS

1. Accounting Policies

Exploration and Development and Property Acquisition Costs

The corporation's policy is to write-off all general exploration expenditures as incurred and to capitalize the direct cost of acquisition and expenditures on mining properties which were in good standing at the year end. Upon disposal or abandonment of such interest the net gain or loss is reflected in the statement of income.

Investment in The Iron Bay Trust

The Iron Bay Trust owns an 80% interest in a producing mining property which is leased to The Steel Company of Canada, Limited until April 30, 2040. The corporation has a 39.1% interest in the Trust, represented by 1,000,000 trust units. The corporation's policy is to amortize its investment in the Trust on a unit of production basis based on total estimated production.

2. Shares with a Quoted Market Value

During the year the investment in Calmor, which was carried on the balance sheet at cost plus the corporation's share of undistributed earnings or losses, was sold to an associated company.

Other shares with a quoted market value are carried at cost.

3. Mining Properties Together with Expenditures Thereon

Balance at beginning of year	\$548,848
Deduct prior years' expenditures charged to operations	<u>62,625</u>
	486,223
Add current year's expenditures capitalized	<u>108,377</u>
Balance at end of year	<u><u>\$594,600</u></u>

4. Income Taxes

The corporation claims exploration and development expenditures for income tax purposes in excess of the expenditures in the accounts. Accordingly no provision for income taxes is required. As at December 31, 1974 the corporation had approximately \$1,900,000 of such expenditures available to apply against otherwise taxable income of future years.

5. Executive Remuneration

Remuneration paid to the directors and senior officers of the corporation (as defined by The Business Corporations Act, 1970) in 1974 amounted to \$7,500 (1973 - Nil).

6. Subsequent Event

Pursuant to an agreement dated March 31, 1975, the corporation together with two affiliated companies agreed to purchase substantially all of the assets of the Jarvis House (Toronto) Limited as a going concern for a total consideration of approximately \$895,000. The corporation has agreed to purchase a 20% interest in the assets and is obligated to pay a similar proportion of the consideration. This transaction has not been completed as of May 7, 1975.

Chimo Gold Mines Limited

INFORMATION CIRCULAR

Solicitation of Proxies

This statement is furnished by the management of Chimo Gold Mines Limited, hereinafter called the "Corporation", in connection with the solicitation of proxies for use at the Annual Meeting of the Shareholders of the Corporation to be held on Friday, June 27, 1975, at Suite 1010, 85 Richmond Street West, Toronto, Ontario, at 10:00 o'clock in the forenoon, for the purpose set out in the accompanying notice of meeting.

Solicitation is being made by mail, which may be supplemented by telephone or other personal contact, to be made without special compensation by officers and employees of the Corporation. The Corporation will bear all expenses in connection with the solicitation of proxies but the Corporation will not reimburse shareholders, nominees or agents for any costs incurred in obtaining from their principals instruments of proxy or authorization to execute such proxies.

IN THE EVENT OF YOUR NOT BEING PRESENT AT THE ANNUAL MEETING, THE MANAGEMENT OF THE CORPORATION SOLICITS YOUR PROXY AND YOU ARE REQUESTED TO FILL IN, DATE, SIGN AND RETURN THE ENCLOSED INSTRUMENT OF PROXY.

The shares represented by such proxy will be voted at the meeting and, where a choice with respect to any matter to be acted upon has been specified in the proxy, the shares, subject to The Business Corporations Act, Ontario, will be voted in accordance with the specification so made. WHERE NO CHOICE IS SPECIFIED WITH RESPECT TO ANY MATTER, THE SHARES SO REPRESENTED WILL BE VOTED IN FAVOUR OF SUCH MATTER.

Revocability of Proxy

Any proxy given by a registered shareholder may be revoked by notice in writing executed by the shareholder or his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized and deposited either at the head office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of the Annual Meeting on the day of the meeting or adjournment thereof which shall be a valid revocation of such proxy, except as to any matter in which a vote may already have been cast pursuant to the authority conferred by such proxy.

Voting Shares and Principal Holders Thereof

The authorized capital of the Corporation is 5,000,000 shares with a par value of \$1 each, all of which carry one vote, and of which 3,371,086 shares are issued and outstanding as fully paid and non-assessable. Only shareholders of record on June 27, 1975, the date of the Annual Meeting, are entitled to vote thereat. The registered holders of all issued shares are entitled at the Annual Meeting to one vote for each share held.

To the knowledge of the directors and senior officers of the Corporation, the following are the only shareholders beneficially owning, directly or indirectly, 10% or more of the issued and outstanding shares of the Corporation.

Name	Approximate Number of Shares of Beneficially Owned	Percentage of Outstanding Shares
Calmor Iron Bay Mines Limited	500,000	14.8
Central Patricia Gold Mines, Limited	1,000,000	29.7

To the knowledge of the directors and officers of the Corporation, the following nominee together with associates as defined in the Business Corporations Act, Ontario, hold 10% or more of the issued and outstanding shares of the Corporation.

M. P. Connell	1
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Associates:

Central Patricia Gold Mines, Limited	1,000,000
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I. F. T. Kennedy	1
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Associates:

Central Patricia Gold Mines, Limited	1,000,000
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Election of Directors

The board of directors consists of five directors who are elected at the Annual Meeting to serve until the next Annual Meeting or until their successors are elected or appointed. It is intended to vote the shares represented by the proxies received pursuant to this solicitation by management for the election of the five nominees who are listed below. In the event that any vacancy occurs in the slate of nominees submitted herewith, which is not anticipated, it is intended that the persons named in the accompanying instrument of proxy reserve the right to vote for another person of their choice in place of the nominee who is unable to serve as a director. The names and pertinent information with respect to each of the nominees for election as directors as reported by each is shown below, including the year in which each nominee first became a director of the Corporation:

Proposed Nominees	Principal Occupation or Employment	Director From	Number of Corporation Shares Beneficially Owned
Martin P. Connell President	President, Conwest Exploration Company Limited, a mining exploration company	December 13, 1971	1
Charles R. Elliott	Chairman, Conwest Exploration Company Limited	December 13, 1971	1
Ian F. T. Kennedy Vice-President	Vice-President, Conwest Exploration Company Limited	June 28, 1973	1
John C. Lamacraft Secretary-Treasurer	Secretary-Treasurer, Conwest Exploration Company Limited	June 28, 1973	1
Alexander C. Mosher	Director, Chimo Gold Mines Limited	March 20, 1958	5,201

Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid by the corporation during the year ended December 31, 1974 to directors and senior officers amounted to \$7,500.

Interest of Management and Others in Material Transactions

As noted in the Report to the Shareholders for the six months ended June 30, 1974, the corporation sold to Central Patricia Gold Mines Limited 1,000,000 shares of Calmor Iron Bay Mines Limited in consideration of \$620,000. All of the present Directors, except Mr. A. C. Mosher, are Officers and Directors of Central Patricia Gold Mines Limited. Central Patricia Gold Mines Limited owns 1,000,000 shares or 29.7% of the corporation. Messrs. M. P. Connell and I. F. T. Kennedy collectively control Central Patricia Gold Mines Limited. Particulars of the transaction have previously been reported to the Toronto Stock Exchange and made public.

Pursuant to an agreement dated March 31, 1975, the corporation, together with two affiliated companies, agreed to purchase substantially all the assets of the Jarvis House (Toronto) Limited as a going concern for a total consideration of \$895,000. The corporation has agreed to purchase a 20% interest in the assets and is obligated to pay a similar proportion of the consideration. This transaction has not as yet been completed. Mr. M. P. Connell, an Officer, Director, and Shareholder of the corporation, beneficially owns 50% of the issued shares of Jarvis House (Toronto) Limited.

Appointment of Auditors

It is proposed that Thorne Riddell & Co., Chartered Accountants, the present auditors, be reappointed as auditors of the Corporation, to hold office until the next Annual Meeting of shareholders at a remuneration to be fixed by the board of directors of the Corporation. Thorne Riddell & Co. have been the auditors of the Corporation for more than five years.

Other Business

The management of the Corporation is not aware of any matters to be presented for action at the meeting other than those listed in the notice of meeting. However, if other matters properly come before the meeting, it is the intention of the persons named in the accompanying instrument of proxy to vote the said proxies in accordance with their best judgment on such matters.

By Order of the Board of Directors,

J. C. LAMACRAFT,
Secretary-Treasurer.

DATED May 29, 1975.
Toronto, Ontario.



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